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The story of the CIA's
Nugan Hand Bank—an institution committed to
heroin dealing, money laundering,
arms trafficking, and covert dirty tricks.

BLOOD MONEY

BY PENNY LERNOUX

Early on a Sunday morning in January 1980, two policemen driving along a lonely stretch of highway near the Australian city of Sydney came upon a Mercedes-Benz sedan with its lights on. Inside the car slumped across the front seat in a pool of blood was the body of a middle-aged man. In the dead man's pockets the police found the business card of William Colby, a Washington lawyer who three years earlier had been director of the Central Intelligence Agency. On the back of the card was the itinerary of a trip Colby intended to make to Asia.

Next to the body was a new rifle. Alongside it was a Bible with a meat-pie wrapper as a place mark. On the wrapper were scrawled names—William Colby's and California Congressman Bob Wilson's. Wilson was then the ranking Republican member of the House Armed Services Committee.

The dead man turned out to be a Sydney merchant banker named Frank Nugan. He was a co-owner of the Nugan Hand Bank, an Australian bank with 22 branches worldwide. Investigators at first theorized that Frank Nugan had killed himself because of business troubles. Only later was it learned that among the people with whom his bank did business were a number of prominent mobsters. But this would soon seem like a minor detail. For Frank Nugan's apparent suicide triggered an international scandal that continues to this day, involving heroin dealing, arms trafficking, money laundering, the CIA, and enough high-ranking U.S. military officers to launch a major invasion.

At the time of his death, 37-year-old Frank Nugan was facing criminal charges for defrauding shareholders in the Nugan-family bank business. Auditors had discovered large cash payoffs by the company to people apparently linked to drug trafficking. Three months later, after the Nugan Hand Bank collapsed, it was learned that Nugan had illegally diverted \$1.6 million of the bank's money to the family business. The bank's directors knew of Nugan's legal troubles, and one of them frequently accompanied him to the hearings that led to criminal charges. This man was General Edwin F. Black, former commander of U.S. troops in Thailand during the Vietnam War and later assistant army chief of staff in the Pacific. He was then the Nugan Hand Bank's representative in Hawaii.

Frank Nugan was also in hot water with the bank's auditors, who had refused to approve the accounts for the bank's Panama and Cayman branches. This meant that the bank was about to be decertified. If decertified, it would lose its commercial status with other banks and would

collapse. Stephen K. A. Hill, a Nugan Hand director who later testified that he rewrote the books on Frank Nugan's instructions, had had no problem with the auditors during earlier meetings. On at least one occasion he was accompanied by another high-ranking former U.S.-military officer, Earl P. ("Buddy") Yates, retired U.S. admiral and former chief of staff for strategic planning with U.S. forces in Asia and the Pacific. Yates was the Nugan Hand Bank's president.

Nugan, at that time, had taken to going to church almost daily. He wrote mystical notes to himself in a Bible, which was always with him. "Visualize 100,000 customers worldwide," said one. "Prayerize. Actualize." And he spent money as if he owned the mint—\$500,000 to remodel his family's lavish waterfront home in Sydney, complete with sand for an artificial beach. On the day he died he was completing negotiations for the purchase of a \$2.2-million country estate.

If such actions reflect suicidal intent, none of Nugan's associates seemed

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only in isolated bits and pieces, in part because of the U.S.-intelligence community's reluctance to help or supply information to Australian investigators.

The Australian government's investigation of the bank's dealings is still under way, and among the details that have emerged so far are the following:

- The Nugan Hand banking group participated in at least two U.S.-government-covert-action operations.

- The bank had strong links to the U.S.-intelligence community, and some of the banking group's executives were involved in large weapons shipments to American-aided forces fighting against Communist guerrillas in Angola.

- According to the report, retired Admiral Yates, while president of Nugan Hand, as part of a bank project urged a CIA contract agent to threaten the Haitian government with a coup. (Yates told the *Wall Street Journal* that the overthrow threat wasn't proposed by him but by a prospective bank client. Yates said he quickly rejected the idea.)

- Most of the bank's business was found to have been money laundering rather than deposit taking.

- The bank was also involved in dealings with international heroin syndicates, and there is evidence of massive fraud against United States and foreign citizens.

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